98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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FEDERAL SUPPLEMENTAL COMPENSATION

JULY 28, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 3409]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means to whom was referred the bill (H.R. 3409) to amend the Federal Supplemental Compensation Act of 1982 with respect to the number of weeks of benefits paid in any State, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Add at the end of the bill the following:

(c) In the case of any eligible individual who (without regard to the amendment made by subsection (a)) exhausted his rights to Federal supplemental compensation (by reason of the payment of all of the amount in his Federal supplemental compensation account) before the first week beginning after the date of the enactment of this Act, such individual's eligibility for additional compensation by reason of the amendment made by subsection (a) for any week of unemployment shall not be limited or terminated by reason of any event, or failure to meet any requirement of law relating to eligibility for unemployment compensation, occurring after the date of such exhaustion of rights and before the beginning of the first week beginning after the date of the enactment of this Act.

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I. Summary of Bill

H.R. 3409 amends the Federal Supplemental Compensation Program (FSC) of 1982 to provide that the maximum number of weeks of FSC benefits payable in a State can be no more than four weeks less than the number of weeks of FSC payable in the State for the week of March 27, 1983.

II. Comparison With Present Law

Item	Present law	H.R. 3409
Additional Weeks of Unemployment Compensation Benefits: Federal Supplemental Compensation.	The Federal Supplemental Compensation program (FSC) provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. The original program was due to expire on March 31, 1983. However, FSC was extended for six months, from April 1, 1983 through September 30, 1983, as part of the Social Security Amendments of 1983 (Public Law 98–21). Under the extension, the maximum number of weeks of FSC benefits was reduced in a number of States. A provision was included to cushion the effect of a substantial and immediate drop in the number of FSC weeks payable in a State. If, for the first week following the extension, the maximum number of weeks of FSC payable in a State was more than four weeks less than the maximum number of weeks payable in the State for the week of March 27, 1983 (the last week of the original FSC program), then the loss of FSC weeks would be capped at four weeks for the duration of the extension. This limitation on the reduction in FSC weeks under the extension applied only in the case of a State that lost more than four weeks of FSC the first week of the extension.	Under H.R. 3409, for any week after March 31, 1983, the maximum number of FSC weeks payable in any State could be no more than four weeks less than the number of FSC weeks payable for the week of March 27, 1983.

III. Explanation of the Bill

1. Background Information

Title V of the Social Security Act Amendments of 1983 (Public Law 98–21) extended the Federal Supplemental Compensation program (FSC) for six months, from April 1, 1983 through September 30, 1983. The FSC program provides additional weeks of unemployment compensation to individuals who have exhausted State benefits and any extended benefits to which they are entitled.

Under the provisions of law in effect through March 31, 1983, FSC provided the following maximum weeks of benefits:

(1) 16 weeks in States with an insured unemployment rate (IUR)[1] of at least 6.0 percent;

(2) 14 weeks in States that were triggered on the extended benefits program at any time between June 1, 1982 and January 6, 1983;

(3) 12 weeks in remaining States with average IUR of at least 4.5 percent;

(4) 10 weeks in remaining States with average IUR between 3.5 and 4.5 percent; and

(5) 8 weeks in all other States.

The extension of the program contained in Public Law 98–21 amended the maximum number of weeks of FSC payable as follows:

(1) 14 weeks in States with average IUR 6.0 percent and above;

(2) 12 weeks in States with average IUR 5.0 to 5.9 percent;

(3) 10 weeks in States with average IUR 4.0 to 4.9 percent; and

(4) 8 weeks in all other States.

The changes in the trigger rates for determining the maximum number of weeks of FSC payable under the program resulted in a number of States receiving fewer FSC weeks under the extension than they were receiving under the prior law. In an attempt to cushion the effect of an immediate and substantial drop in the number of the FSC weeks payable under the extension, a provision was contained in the bill which stated in part:

> In the case of any State whose applicable limit . . . for the first week beginning after March 27, 1983, and after the date of enactment . . . would be more than 4 weeks lower than the number of weeks applicable to such State . . . as in effect for the week beginning March 27, 1983, the applicable limit for such State for such week and each succeeding week shall not be lower than 4 less than the number so applicable to such State for the week beginning March 27, 1983.

March 27, 1983 was the last week of the original FSC program. The intent of the above language was to limit any drop in FSC weeks to a maximum of 4 in States where the *immediate* drop in weeks, the

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[1] The insured unemployment rate is the number of individuals claiming regular State unemployment benefits divided by the number of people in the State working in jobs that are covered by the State's unemployment insurance program.

number payable in the last week before the extension compared to the number payable in the first week of the extension, would exceed 4.

The Department of Labor misinterpreted the language of the Act. It instructed States that in *no case* could the number of weeks payable in any State throughout the extension be more than 4 weeks less than the number payable in the State for the week of March 27, 1983.

Because of a rapid decline in the insured unemployment rate, a number of States have lost more than 4 weeks of FSC compared to the number of weeks they were receiving on March 27, 1983. Up until June 10, 1983, the Department of Labor instructed the States to cap this loss of weeks at 4 pursuant to its interpretation of the above legislative language. On June 10, 1983, the Department issued new instructions to the States stating that the cap on the loss of weeks was to apply only in the case of States which immediately lost more than four weeks—comparing the maximum FSC weeks payable for the week of March 27, 1983 and the maximum number of FSC weeks payable in the first week of the extension. Only one State, Delaware, experienced an immediate drop of more than four weeks.

Before the Department issued the new instructions of June 10, 1983, four States, Arizona, Kansas, Massachusetts, and North Carolina, were instructed to pay benefits according to the four week cap. Since the issuance of the June 10, 1983 instructions, in Alabama, Arkansas, Idaho, Indiana, Iowa, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, Ohio, Rhode Island, South Carolina, Tennessee, Utah, Vermont, and Wisconsin the maximum number of FSC weeks payable in the State has dropped more than four weeks below the maximum number of FSC weeks payable on March 27, 1983. As many as seven additional States may lose more than four weeks between now and September 30, 1983, when the FSC program is due to expire.

H.R. 3409 would provide that the maximum number of weeks of FSC payable in any State, throughout the duration of the current extension, could be no more than four weeks below the maximum payable during the week of March 27, 1983.

2. REASONS FOR CHANGE

Under the original Department of Labor interpretation of the provision in the extension limiting the loss of FSC weeks, States were instructed that in no event could the maximum number of FSC weeks payable in the State be more than four weeks less than the maximum number payable for the week of March 27, 1983. Pursuant to this instruction, four States actually paid benefits to FSC claimants that would not have otherwise been paid had the Department interpreted the law correctly. In addition, in these four States and others, initial FSC claimants were told that they were eligible for a certain number of weeks of benefits, subject only to the condition that the number of weeks could be reduced depending on the State's Insured Unemployment Rate, but not below four weeks. Since the first week of the extension, 25 States have lost more than four weeks of FSC compared to what they were receiving on March 27, 1983.

The Department of Labor applied the 4 week loss limitation to all States for nearly two and a half months, resulting in the payment of benefits that would not otherwise have been paid as well as creating an expectation on the part of FSC claimants that they were eligible for a certain number of weeks. In light of the continuing hardships faced by the long term unemployed, who are precisely the jobless workers that the FSC program was designed to assist, it is imprudent and harsh not to continue the original Department of Labor interpretation. The Congressional Budget Office estimates that approximately 450,000 jobless workers would receive two or four additional weeks of FSC benefits under the original Department of Labor interpretation, which is incorporated into the FSC law by this bill.

The rapid decline in States' Insured Unemployment Rates has not only reduced the maximum number of FSC weeks payable in many States by more than four weeks, it has also had the effect of eliminating Federal-State Extended Benefits (EB) in a number of high unemployment States. The EB program provides up to a maximum of 13 weeks of benefits to individuals who have exhausted their regular State benefits. The following table shows those States that have lost EB since April 1, 1983:

STATES THAT HAVE TRIGGERED OFF OF EXTENDED BENEFITS SINCE APRIL 1, 1983

Alabama [1]	Nevada [1]
California	North Carolina
Idaho [1]	North Dakota
Illinois	Ohio [1]
Indiana [1]	Oregon
Iowa [1]	Rhode Island [1]
Maine [1]	Utah [1]
Michigan [1]	Vermont [1]
Minnesota [1]	Washington
Mississippi	Wisconsin [1]
Montana	

This combination of the loss of EB and the loss of more than four weeks of FSC could not have occurred at a worse time. While there has been some reduction in the total unemployment rate, the job prospects for the long term unemployed remain bleak. Recent statistics indicate that as the economy recovers the long term unemployed will be the last to be rehired. Passage of H.R. 3409 is needed to provide some minimal, but sorely needed, help to these jobless workers.

The technical Committee amendment to H.R. 3409 is intended to insure that unemployed workers who would have received the additional weeks of FSC under the original Department of Labor interpretation of the extension will qualify for these benefits under the provisions of this bill. The amendment provides that such an unemployed worker would not be disqualified because he failed to follow specific job search procedures during the period between the implementation of the revised Department of Labor interpretation and the enactment of this law. Such a person would not necessarily have followed the specific job search procedures during this period because he had been informed by the State unemployment office that he had exhausted all FSC benefits.

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[1] Indicates those States that have also lost more than 4 weeks of FSC, comparing what they were receiving on March 27 and what they are currently receiving.

IV. Budget Effects of the Bill

1. COMMITTEE ESTIMATE

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made: the Committee agrees with the cost estimate prepared by the Congressional Budget Office which is included below.

2. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

With respect to clause 2(l)(3)(B) of rule XI of the Rules of the House, the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures, to the extent applicable to this bill, is contained in the Congressional Budget Office cost estimate below.

3. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(C) of rule XI, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by the Congressional Budget Office is provided.

U.S. Congress,
Congressional Budget Office,
Washington, D.C., July 27, 1983.

Hon. Dan Rostenkowski,
Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act, the Congressional Budget Office has prepared the attached cost estimate for H.R. 3409, a bill to amend the Federal Supplemental Compensation Act of 1982 with respect to the number of weeks of benefits paid in any state, as ordered reported by the House Committee on Ways and Means, July 26, 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely

James Blum
(For Alice M. Rivlin Director).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 3409.
2. Bill title: A bill to amend the Federal Supplemental Compensation Act of 1982 with respect to the number of weeks of benefits paid in any state.
3. Bill status: As ordered reported by the House Committee on Ways and Means, July 26, 1983.
4. Bill purpose: The provisions in the 1983 Social Security Amendments extending the Federal Supplemental Compensation (FSC) program mandated that the maximum number of weeks of benefits payable in any state after April 1, 1983, could be no more than four

fewer than the maximum number payable under the last week of the original FSC law, which terminated March 31, 1983. As written, this provision applied to only those states where the immediate drop in weeks, the number payable in the last week of the original program compared to the number payable in the first week of the extension, would exceed four. Delaware was the only state to qualify. However, until June 10th, the Department of Labor (DOL) administered the law so as not to allow any state to drop more than four weeks of benefits. DOL, since June 10th has correctly administered the law to apply only to Delaware. This bill would limit the reduction to a maximum of four weeks for all states.

5. Estimated cost to the Federal Government: This bill would result in additional future liabilities through an extension of existing entitlements that would require subsequent appropriation action to provide the necessary budget authority. The figures shown as "Required Budget Authority" represent an estimate of the additional budget authority needed to cover the estimated outlays that would result from enactment of H.R. 3409.

	Millions
Required budget authority:	
Fiscal year:	
1983	$166
1984	14
1985	----
1986	----
1987	----
1988	----
Estimated outlays:	
Fiscal year:	
1983	166
1984	14
1985	----
1986	----
1987	----
1988	----

The costs of this bill fall within budget function 600.

Basis of estimate

There are presently 25 states whose insured unemployment rates have dropped to levels such that they would be affected by this proposal. CBO estimates that five additional states—Illinois, Mississippi, New Mexico, Oregon, and Washington—will also be affected in the current quarter and that nine other states—Alabama, Arkansas, Maine, Michigan, Montana, Ohio, Utah, Vermont, and Wisconsin—will experience further reductions in their maximum number of weeks of benefits in the current quarter. It is estimated that about 450,000 persons will be affected by this proposal. Based upon information from DOL, it is estimated that $25 million in administrative expenses will be incurred in fiscal year 1983. Because of the provision in current law permitting FSC claimants to finish their entitlements, there is a fiscal year 1984 costs.

6. Estimated cost to State and local governments: The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by the enactment of this bill.

7. Estimate comparison: None.
8. Previous CBO estimate: None.
9. Estimate prepared by: Richard Hendrix.
10. Estimate approved by:

CHARLES E. SEAGRAVE
(For James L. Blum, Assistant Director for Budget Analysis).

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

1. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of the rule XI, the following statement is made: the bill, H.R. 3409, was ordered favorably reported to the House of Representatives by a voice vote.

2. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of the rule XI, the following summary of the oversight findings of the Committee with respect to the amendment proposed by H.R. 3405 is provided:

The dramatic decrease in State Insured Unemployment Rates, the rate which determines the maximum number of weeks of FSC benefits payable in a State and also whether or not the State is triggered on the Federal-State Extended Benefits program, has resulted in the loss of a substantal number of weeks of unemployment compensation for long term unemployed workers. Under the extension of the FSC program contained in the Social Security Amendments of 1983, the maximum number of FSC weeks payable in a State could be no more than four weeks less than the number payable for the week of March 27, 1983, the last week of the original FSC program. This limitation on the drop in FSC weeks applied, however, in only one narrow circumstance. This was when the number of weeks payable for the week of March 27, 1983 was four weeks more than the number of weeks payable in the first week of the extension. In other words, the loss limitation applied only when the loss of more than four weeks occurred immediately. Only one State qualified for the limitation under the extension.

Since the first week of the extension, 25 States have lost more than four weeks of FSC compared to what they were receiving on March 27, 1983. The Department of Labor applied the loss limitation to all States for nearly two and a half months, resulting in the payment of benefits that would not otherwise have been paid as well as creating an expectation on the part of FSC claimants that they were eligible for a certain number of weeks. Since the extension of the FSC program, the loss of both Extended Benefits and FSC for the long term unemployed has been substantial. In light of this loss of needed weeks of unemployment compensation, the original misinterpretation of the law by the Department of Labor, and the current economic condition of the long term unemployed, the Committee finds that applying the loss limitation to all States is both appropriate and necessary.

3. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

With respect to clause 2(1)(3)(D) of rule XI, the Committee advises that no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations regarding the subject of this bill.

4. INFLATION IMPACT

In compliance with clause 2(1)(4) of rule X, the Committee states that the enactment of this bill is not expected to have any significant inflationary impact on prices and costs in the operation of the national economy.

VI. Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 602 of the Federal Supplemental Compensation Act of 1982

FEDERAL-STATE AGREEMENTS

Sec. 602. (a) * * *

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(e)(1) Any agreement under this subtitle with a State shall provide that the State will establish, for each eligible individual who files an application for Federal supplemental compensation, a Federal supplemental compensation account with respect to such individual's benefit year.

(2)(A) In the case of any account from which Federal supplemental compensation was first payable to an individual for a week beginning after March 31, 1983, the amount established in such account shall be equal to the lesser of—

(i) 55 per centum of the total amount of regular compensation (including dependents' allowances) payable to the individual with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation, or

(ii) the applicable limit determined under the following table times his average weekly benefit amount for his benefit year:

In the case of weeks during a:	The applicable limit is:
6-percent period	14
5-percent period	12
4-percent period	10
Low-unemployment period	8

[(B) In the case of any State whose applicable limit, as determined under clause (ii) of subparagraph (A) for the first week beginning after March 27, 1983, and after the date of the enactment of part A of title V of the Social Security Amendments of 1983, would be more than 4 weeks lower than the number of weeks applicable to such State under this paragraph as in effect for the week beginning March 27, 1983, the applicable limit for such State for that week and any succeeding week shall not be lower than 4 less than the number so applicable to such State for the week beginning March 27, 1983.]

(B) The applicable limit for any State determined under clause (ii) of subparagraph (A) shall in no event be less than the number of weeks applicable to such State for the week beginning March 27, 1983, under this paragraph (as in effect for such week) reduced by 4.

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